

Message Text

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TO USDEL MTN GENEVA
INFO AMEMBASSY MEXICO

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SUBJECT: U.S.-MEXICAN BILATERAL CONSULTATIONS

1. U.S.-MEXICAN BILATERAL TRADE CONSULTATIONS WERE HELD IN WASHINGTON JUNE 28-29. THIS CABLE SUMMARIZES FIRST DAY'S DISCUSSION ON MTN. SEPTTEL WILL FOLLOW ON BILATERAL DISCUSSIONS.

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2. U.S. DELEGATION, CHAIRED BY AMBASSADOR CLAYTON YEUTTER, DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, INCLUDED REPRESENTATIVES FROM STATE, COMMERCE, AGRICULTURE, TREASURY AND LABOR. THE MEXICAN DELEGATION

WAS LED BY ABEL GARRIDO, DIRECTOR OF INTERNATIONAL ECONOMIC AFFAIRS, SECRETARY OF THE TREASURY AND HIS ASSISTANT SERGIO DELGADO. DELGADO WILL BECOME RESIDENT HEAD OF GENEVA MTN DEL IN SEPTEMBER.

3. CONSULTATIONS WERE HELD IN A FRANK AND FRIENDLY ATMOSPHERE, ALTHOUGH NO SIGNIFICANT NARROWING OF DIFFERENCES OCCURRED. BOTH SIDES AGREED TO CONSIDER FULLY AND CAREFULLY EACH OTHER'S POSITION. PARTICULARLY NOTEWORTHY WAS GOM'S INDICATION THAT IT WOULD BE WILLING TO DISCUSS ITS POSSIBLE CONTRIBUTIONS TO MTN BEFORE END OF NEGOTIATIONS. MEXICO ALSO SEEMED INTRIGUED WITH CONCEPT OF GENERIC

DISPUTE SETTLEMENT MECHANISM.

4. TO ASSURE SMOOTHER FLOW OF THIS REPORT, WE HAVE GROUPED RELATED TOPICS.

5. GATT REFORM--US DEL STRESSED NEED FOR A BALANCED PACKAGE OF ISSUES TO BE NEGOTIATED AND STATED THAT BRAZIL, AS PRINCIPAL LDC PROPONENT AND SPOKESMAN ON THIS ISSUE, HAS INDICATED UNDERSTANDING OF THIS REQUIREMENT AND HAS SUGGESTED FOUR SPECIFIC ISSUES: (1) BALANCE OF PAYMENTS, (2) DISPUTE SETTLEMENT, (3) RECIPROCITY, AND (4) PREFERENCES. THE U.S. COULD ACCEPT THE FIRST TWO, DEPENDING ON THEIR TERMS OF REFERENCE, NEEDED MORE INFORMATION ON LDC OBJECTIVES ON RECIPROCITY; AND COULD NOT ACCEPT THE LATTER AS IT HAS BEEN DESCRIBED AND DELIMITED BY THE BRAZILIANS TO DATE. THE U.S. ALSO MIGHT WISH TO ADD FURTHER TOPICS. SUPPLY ACCESS MAY BE ONE POSSIBILITY, THOUGH WE DO NOT HAVE A DEFINITIVE POSITION ON THIS AS YET. MEXDEL BELIEVED FORMATION OF A GATT REFORM GROUP WAS IMPORTANT, COULD ACCEPT A BALANCED PACKAGE, AND AGREED MEXDEL THOUGHT GROUP SHOULD BE ESTABLISHED SOON TO MEET DEADLINE OF REFORM BY END OF MTN. REFORM GROUP SHOULD NOT DUPLICATE WORK IN OTHER GROUPS.

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6. GRADUATION--MEXDEL EXPRESSED UNWILLINGNESS TO ACCEPT GRADUAL LOSS OF SPECIAL AND DIFFERENTIAL TREATMENT AND ASSUMPTION OF MORE OBLIGATIONS AS THEY DEVELOPED. INSTEAD MEXDEL SUGGESTED AN ARTICLE XVIII TYPE OF ARRANGEMENT WHEREBY AN LDC INVOKING A PARTICULAR S AND D PROVISION WOULD BE SUBJECT TO PERIODIC REVIEW OF ITS CONTINUING ELIGIBILITY. AMBASSADOR YEUTTER INDICATED THAT GRADUATION PRINCIPLE IS UNDERLYING BASIS FOR OUR GRANTING OF S AND D.

7. LDC RECIPROCITY--GARRIDO REPEATED FAMILIAR LDC LINE THAT RECIPROCITY COULD ONLY BE CONSIDERED AT END OF THE DAY. HOWEVER, HE SAID THAT DISCUSSIONS OF OBLIGATIONS TO BE UNDERTAKEN BY LDC'S COULD BE HELD BEFORE THEN. AT THE

END OF THE NEGOTIATIONS, MEXICO ANTICIPATED THAT THERE WOULD BE A SMALL NUMBER OF SPECIFIC TARIFF CONCESSIONS THAT THEY COULD MAKE. THESE COULD BE DISCUSSED IN THE NEAR FUTURE. THE U.S. SIDE INDICATED IT WOULD BE DIFFICULT TO GATHER SUPPORT FOR S AND D FROM THE ADVISORY GROUPS AND CONGRESS IF WE WERE NOT ABLE TO POINT TO SIMULTANEOUS PROGRESS ON LDC CONTRIBUTIONS.

8. MEXICAN ACCESSION TO GATT--MEXDEL REITERATED WELL KNOW POSITION THAT DECISION ON JOINING GATT WOULD ONLY BE MADE IN LIGHT OF RESULTS OF MTN. HOWEVER, MEXDEL BELIEVED RECENT PROPOSAL TO RATIONALIZE TARIFF SYSTEM WOULD BE

SUFFICIENT PAYMENT FOR GATT MEMBERSHIP. MEXDEL REITERATED GOM NEED FOR GATT REFORM BEFORE MEXICO COULD AGREE ACCEDE.

9. TARIFFS--USDEL NOTED ADVANTAGES TO MEXICO OF SUPPORTING U.S. TARIFF FORMULA PROPOSAL, AND EXPRESSED HOPE FOR ACTIVE LDC ROLE IN LIMITING EXCEPTIONS FROM FORMULA. U.S. POSITION OF SPECIAL TREATMENT FOR LDC'S WILL BE FORTHCOMING BUT IT CANNOT AND WILL NOT INCLUDE BINDING OF PREFERENCE MARGINS. USDEL ALSO RAISED THE NEED TO GET MEXICAN VIEWS ON CROSS NOTIFICATION PROPOSAL AND ON TARIFF ESCALATION PROBLEMS. MEXDEL NOTED THAT OAS HAS BEEN REQUESTED TO DO SUPPORT WORK FOR THE LATIN AMERICANS BY EVALUATING TARIFF FORMULAS ON A REGIONAL BASIS. USDEL AGREED THAT A REGIONAL ANALYSIS WAS APPROPRIATE BUT SUGGESTED LIMITED OFFICIAL USE

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GESTED THAT THIS IS A FUNCTION THAT SHOULD PROPERLY BE PERFORMED BY THE GATT SECRETARIAT. U.S. AGREED TO SUPPORT LA REQUEST TO GATT. ACTION REQUESTED: MTN DEL REQUESTED CONVEY U.S. SUPPORT FOR LA REQUEST TO GATT SECRETARIAT.

10. TROPICAL PRODUCTS--MEXDEL WAS INTERESTED IN KNOWING WHAT CONTRIBUTIONS ARE BEING ASKED OF OTHER COUNTRIES, TO ASSURE THAT NO MORE THAN ONE COUNTRY WAS PAYING FOR THE SAME CONCESSIONS. MEXICO DOES NOT BELIEVE THAT TROPICAL PRODUCTS ARE AN APPROPRIATE PLACE FOR LDC CONTRIBUTIONS. MEXDEL THOUGHT U.S. OFFER NOT SIGNIFICANT AND NOT RESPONSIVE TO MEXICAN REQUESTS. HOWEVER, MEXICO WOULD BE WILLING TO TAKE INTO ACCOUNT U.S. TROPICAL PRODUCTS REQUESTS AS WELL AS THE VALUE OF U.S. CONCESSIONS MADE IN TROPICAL PRODUCTS WHEN DECIDING CONTRIBUTIONS AT THE END OF THE DAY. AMBASSADOR YEUTTER POINTED OUT THE U.S. NEED FOR LDC CONTRIBUTIONS TO BE MADE IN THE TROPICAL PRODUCTS NEGOTIATIONS, RATHER THAN JUST AT THE END OF THE DAY. IF THE LESS DEVELOPED COUNTRIES WAIT UNTIL LATER TO MAKE CONTRIBUTIONS, THE U.S. WOULD BE PUT IN A POSITION OF HAVING TO DELAY IMPLEMENTATION. GARRIDO SAW NO PROBLEM WITH DELAY IN IMPLEMENTATION BUT POINTED OUT THAT THE U.S. WOULD

BE THE ONLY COUNTRY DOING SO AND WOULD HAVE TO TAKE THE POLITICAL CONSEQUENCES OF SUCH ACTIONS.

11. SAFEGUARDS--USDEL INDICATED THAT A GOOD SAFEGUARDS CODE IS A MUST AND THAT U.S. WOULD PRESENT A CONCEPTS PAPER AT NEXT SAFEGUARDS MEETING. PAPER WOULD INCLUDE S&D. MEXICO'S PROPOSAL FOR A MULTILATERAL SURVEILLANCE BODY IS GENERALLY IN LINE WITH U.S. THINKING. HOWEVER, WE ARE NOT ABLE TO SUPPORT EXCLUSION OF LDC'S FROM SAFEGUARD ACTIONS TAKEN BY DC'S. MEXDEL AGREED MAJOR SUPPLIER LDC'S NEED NOT BE EXEMPT, BUT NOT ALL LDC'S SHOULD BE TREATED ALIKE.

MEXDEL DID NOT WANT QUOTE THREAT OF INJURY UNQUOTE IN SAFEGUARDS CODE. MEXDEL STRESSED PRINCIPLE OF NO ROLLBACK FOR LDC EXPORTS IN SAFEGUARD ACTIONS. USDEL NOTED THAT U.S. UNDERSTOOD THAT NORMAL HISTORICAL TRENDS WOULD USUALLY DISADVANTAGE LDC'S.

12. SUBSIDIES AND COUNTERVAILING DUTIES--USDEL SAID SUB-LIMITED OFFICIAL USE
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SIDIES AND CVD'S ARE INTERRELATED ISSUES THAT MUST BE NEGOTIATED TOGETHER AND THAT PROHIBITED SUBSIDIES SHOULD BE COUNTERVAILABLE WITHOUT REGARD TO INJURY. U.S. IS SEEKING INTERNATIONAL AGREEMENT THAT WILL RESTRAIN USE OF SUBSIDIES THAT SERIOUSLY DISTORT TRADE. MAIN DIFFICULTY IN NEGOTIATIONS SO FAR HAS BEEN RELUCTANCE OF SOME, PARTICULARLY EC, TO TALK ABOUT SUBSIDIES. U.S. SUPPORTS S AND D FOR LDC'S IN THIS AREA, BUT COULD NOT ALLOW LDC'S TO SUBSIDIZE INDUSTRIES IN WHICH THEY ARE INTERNATIONALLY COMPETITIVE. MEXDEL STATED THAT MEXICO DOES NOT HAVE RESOURCES TO SUBSIDIZE INDUSTRIES THAT DO NOT NEED THEM. MEXDEL STATED THAT INJURY IN ANY CVD INVESTIGATION SHOULD NOT BE UNILATERAL DETERMINATION AS IN PRESENT U.S. LAW. BOTH SIDES AGREED THAT FURTHER STUDY IS REQUIRED WITH REGARD TO S AND D IN THIRD-COUNTRY MARKET CASES IN ORDER TO ACCOMMODATE LDC DESIRES TO DIVERSIFY THEIR ECONOMIES AND MARKETS.

13. QUANTITATIVE RESTRICTIONS--USDEL STATED THAT MEXICAN PROPOSAL FOR NEGOTIATING QR'S CONTAINED SOME USEFUL ELEMENTS THAT WOULD BE TAKEN INTO CONSIDERATION WHEN U.S. TABLES ITS OWN PROPOSAL LATER THIS YEAR FOR PROCEEDING WITH QR NEGOTIATIONS. HE FURTHER NOTED THAT SINCE EC AND JAPAN USE FAR MORE QR'S THAN U.S., MEXICO AND U.S. HAVE A MUTUAL INTEREST IN SEEKING THEIR REDUCTION OR ELIMINATION.

14. IMPORT LICENSING--USDEL INQUIRED ABOUT PRESENT STATUS OF GOM POLICY TO SUBSTITUTE GRADUALLY TARIFF MEASURES FOR PRESENT IMPORT LICENSE SYSTEM. MEXDEL SAID MEXICO INTENDS TO SUBSTITUTE TARIFFS FOR IMPORT LICENSING AS MUCH AS

POSSIBLE. HOWEVER, REMOVAL OF IMPORT LICENSING SYSTEM
WOULD NOT BE A PART OF MTN PACKAGE. MEXICO'S CHANGES WOULD
NOT BE COMPLETED BY DECEMBER, 1977. PROGRESS DEPENDED ON
IMPROVEMENT IN MEXICO'S ECONOMIC SITUATION AND BALANCE OF
TRADE. IN THIS RESPECT, MEXICO DESIRES REFORM OF GATT
TO PERMIT LDC'S TO USE SPECIAL CIRCUMSTANCES, I.E., TRADE
DEFICIT, DEVELOPING ECONOMIC SITUATION, RATHER THAN JUST
BOP AS GROUNDS FOR QR RESTRICTIONS. MEXDEL INQUIRED IF
MEXICO'S TARIFF RESTRUCTURING WOULD BE SUFFICIENT FEE FOR
JOINING GATT. USDEL CITED NEED FOR U.S. TO EVALUATE THIS
BEFORE RESPONDING; HOWEVER, TARIFF REDUCTIONS WOULD BE
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MEANINGLESS WITHOUT CONTROLS ON THE USE OF LICENSING. U.S.

WOULD HAVE TO OBSERVE OPERATION OF LICENSING SYSTEM UNTIL
END OF MTN. PARTICULAR PROBLEMS ARE PRESENTED WHEN IM-
PORT RESTRAINTS PLACED ON PRODUCTS THAT RESTRAINING
COUNTRY ALREADY EXPORTS COMPETITIVELY.

15. STANDARDS--DELEGATIONS AGREED THAT STANDARDS MUST BE
SAME FOR DC'S AND LDC'S. MEXDEL STRESSED NEED BY LDC'S
FOR MORE TIME AND TECHNICAL ASSISTANCE IN MEETING CODE
REQUIREMENTS. USDEL ASKED MEXICO TO PROVIDE SUGGESTED
LANGUAGE ON TECHNICAL ASSISTANCE. USDEL ALSO NOTED NEED
FOR UNIFORM DISPUTE SETTLEMENT PROCEDURE FOR ALL CODES
INCLUDING STANDARDS--A CONCEPT WHICH MEXDEL AGREED TO
EXPLORE.

16. ANTIDUMPING--MEXDEL SUGGESTED FORMATION OF AN MTN
ANTIDUMPING GROUP. USDEL RESPONDED BY POINTING OUT THAT
WORK IS UNDERWAY IN GATT ANTIDUMPING COMMITTEE. MEXDEL
DEMURRED ON GROUNDS THAT MEXICO NOT A GATT MEMBER, BUT
USDEL STATED THAT NON-GATT MEMBERS ARE WELCOME TO PARTICI-
PATE IN THE DISCUSSION. ROBINSON

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